

WHO'S ON OUR SIDE?

A STATE OF THE STATE REPORT ON

Wisconsin's Working Families

MARCH 2006 AN ANALYSIS PREPARED BY THE WISCONSIN AFL-CIO

President Bush has attempted to paint a rosy picture of the State of our Union. But a close look at the daily lives of working families in Wisconsin—and across the nation—tells a different story. Working families are struggling to keep up with the cost of living. And it's a direct result of policy choices that have been made by our nation's leaders.¹

Working families throughout America are increasingly being squeezed—they are working longer today to pay for middle-class living than they had to 25 years ago.² Nationally, today's families are facing a combination of stagnant incomes and staggering cost increases for health care, education, housing, transportation and, especially now, fuel. In 2005, the average two-earner family needed to work 31.5 weeks a year to pay for taxes and health care, housing, college and transportation costs, compared with 30.2 weeks in March 2001 and 28.7 weeks in March 1979. After paying for those basic needs, that average family had \$951 less than families in 2000 and \$1,702 less than families in 1980 to pay for other basic items as well as to save for retirement.³

Between March 2001 and June 2005, housing costs increased by 13.3 percent nationally, gasoline and fuel costs increased by 43.7 percent and food costs increased by 10.6 percent.⁴ Since President Bush took office, health insurance premiums have increased by more than 50 percent, winter heating costs have increased by 79 percent, a four-year college education at a public university has increased by 57 percent and median monthly home ownership costs have increased nearly 5 percent.⁵

Wisconsin's working families are being squeezed by stagnant incomes and soaring costs.

ONE WORKER'S STORY

CHUCK CALLIARI Green Bay, Wis.

Chuck Calliari is an experienced electrician from Green Bay who has been unemployed since October. For some 15 years, he has worked in good union jobs as a member of IBEW Local 158, but over the past four years he has not been able to find jobs that last longer than six months at a time. "I've had to cut back in a lot of ways," he says. "I've needed a truck for four years, but I haven't been able to afford one." Compared with other local electricians, "I'm one of the lucky ones," he says. After working as electricians for more than \$26 per hour, one of Chuck's friends is surviving by stocking shelves in a retail store for \$8 an hour and another is an usher at Lambeau Field. Chuck is trying to make ends meet raising black-and-white English springer spaniels.

Electricians aren't the only workers in Green Bay losing good jobs, Chuck says. "When a plant closed here, we tore down their equipment, boxed it up and shipped it to Canada," he recalls. "There were union jobs in the plant. Why are we sending this stuff out of town?"

To round out the picture, it is important to look at who is not being squeezed. Corporate profits are increasing faster than during any previous business cycle.⁶ CEO compensation is surging. The wealthiest Americans and corporations are receiving big tax cuts.

In Wisconsin, working families have continued to lose good jobs that pay well. They are forced to make ends meet with lower wages and household incomes, more debt and a less secure retirement, and they are more likely to be uninsured. At the same time, the costs of college are going up, fewer businesses are providing health insurance or pension benefits and tax breaks are going to the wealthiest Wisconsinites and big corporations.

It is time for our elected officials to recognize the burdens that working Wisconsinites live with every day and fight for working families' best interests—not the special interests.

The following analysis summarizes the state of Wisconsin's working families under our current leaders' policies in five key issue areas—jobs and wages, retirement security, health care, tax fairness and education.

JOBS AND WAGES

The president's claim that "*our economy is healthy and vigorous*"⁷ ignores the reality faced by most working families nationwide. For the first time on record, household incomes have failed to increase for five straight years—and that record includes the Great Depression. Over the last year, real hourly wages fell by 1.3 percent for the typical worker, and by 1.9 percent for those workers earning the lowest wages.⁸ Real hourly earnings have fallen in 18 of the past 20 months and real weekly earnings have fallen in 17 of the past 20 months.⁹

Only in the area of corporate profits has economic recovery performed above average. Corporate profits have increased 50 percent in real terms since the last quarter of 2001. In 2004, the average CEO of a major company received \$9.84 million in total compensation—a 12 percent increase over 2003.¹⁰ In contrast, the average nonsupervisory worker's pay increased just 2.2 percent in 2004.¹¹

An Insufficient Minimum Wage

Currently, a full-time, year-round minimum wage worker earns \$10,712 per year. To reach the \$15,067 poverty threshold for a family of three in 2004, a full-time, year-round worker would need to earn \$7.25 an hour—\$2.10 more than the current minimum wage.¹² Instead of working to improve the quality of life of Wisconsin's workers, President Bush and his allies in Congress have consistently blocked

attempts to increase the minimum wage. In fact, the last federal minimum wage increase occurred nearly a decade ago—in 1997.

This year, members of Congress once again will have the opportunity to pass legislation to raise the federal minimum wage. The Fair Minimum Wage Act¹³ would increase the federal minimum wage by \$2.10 in three steps. The Center for Economic and Policy Research estimates this legislation would directly benefit 7.7 million workers across the United States.¹⁴

➡ **Congress' refusal to act led Wisconsin Gov. Jim Doyle to implement a two-step increase in the state's minimum wage rate. The state's minimum wage increased from \$5.15 to \$5.70 on June 1, 2005, and will increase to \$6.50 on June 1, 2006.¹⁵ Wisconsin workers would also benefit from an increase in the federal minimum wage to \$7.25 per hour, with as many as 193,000 workers benefiting from such an increase.¹⁶**

If Congress fails once again to pass a minimum wage increase, the real value of the minimum wage will continue to fall and by 2008 will reach its lowest level since 1955.¹⁷

Unfair Trade Agreements Lead to Job Exporting and Hurt Wisconsin's Workers

President Bush signed CAFTA (the Central America Free Trade Agreement) into law last year, saying it would “help create jobs and opportunities for our citizens.” But Wisconsin's economy has been hurt by past trade agreements. As more and more companies ship jobs overseas, more workers are losing their jobs here at home.

➡ **By 2004, NAFTA (the North American Free Trade Agreement) alone had caused Wisconsin to lose 25,403 jobs since its enactment in 1993.¹⁸**

➡ **Between 1989 and 2003, Wisconsin lost 39,669 jobs due to trade with China.¹⁹**

Wisconsin has lost 25,403 jobs to NAFTA and 39,669 jobs to trade with China.

RETIREMENT SECURITY

Forty-eight million Americans depend on Social Security, including 937,490 Wisconsinites.²⁰ But if President Bush and congressional leaders had their way, they would privatize Social Security and destroy a critical safety net for working families. At the same time, private companies are cutting retiree benefits—including pensions—for their workers, which is putting working Wisconsinites' retirement security more at risk.

Wisconsinites Depend on Guaranteed Benefits of Social Security

➡ In 2000–2002, an average of 14,000 Wisconsin children and 253,000 seniors a year were lifted out of poverty because of Social Security.²¹

Fewer Employers are Providing Pensions for Their Workers

➡ Maintaining guaranteed benefits under Social Security is becoming even more critical. Only 54.5 percent of private-sector workers in Wisconsin who worked at least half-time had employer-provided pensions in the three-year average for 2002–2004, down from 59.3 percent in the three-year average for 1997–1999.²²

HEALTH CARE

Across the country, health care coverage is shrinking and costs are exploding. In 2004, 45.8 million Americans lacked medical coverage. Since 2000, the number of uninsured Americans younger than 65 has increased by 6 million,²³ and the share of Americans with employment-based coverage has declined from 63.6 percent to 59.8 percent in 2004.²⁴ Between 2000 and 2004, the average annual health premium employees pay for family coverage increased by two-thirds (67 percent).²⁵

Job loss and exploding health care costs are shrinking the rolls of Wisconsinites with employer-based health coverage, too, making it harder for individuals to obtain coverage and prompting an increase in the number of uninsured.

More Wisconsinites are Uninsured

➡ 566,000 Wisconsinites did not have health insurance in 2004—that is 160,000 more uninsured Wisconsinites than four years earlier.²⁶ In 2004, 9,000 more children in Wisconsin lacked health insurance than in 2000.²⁷

➡ While Gov. Doyle recently proposed an initiative to expand state health coverage to more children, Congress and the president have done nothing at the federal level to ease the burden.

More Working Wisconsinites are Uninsured as Companies Cut Benefits

➡ Many of Wisconsin's uninsured are workers. With 44.3 percent of employers in Wisconsin not offering health insurance to their

In 2004, 566,000 Wisconsinites were uninsured. More than 44 percent of Wisconsin employers do not offer health insurance to their workers.

workers,²⁸ 10.6 percent of Wisconsin's workforce—284,675 workers—have no coverage.²⁹

- ➡ The share of people with employer-provided health insurance has fallen in the past four years by 9.8 percentage points—from 79.1 percent of people younger than 65 to 69.3 percent.³⁰

Workers' Health Insurance Premiums Have Increased Far More Than Wages

- ➡ While a private-sector production worker's average weekly wages increased 15.5 percent between 1998 and 2003, the premium a worker in Wisconsin must pay to get family health insurance at work increased by 91.9 percent.³¹

TAX FAIRNESS

President Bush and the congressional leadership have been working hard to cut taxes—for millionaires and big corporations. The majority of Wisconsinites will receive little from these cuts.

Tax Cuts Benefit Wealthiest Wisconsinites at the Expense of Working Families

- ➡ The median household income in Wisconsin in 2004 was \$45,931.³² But the Bush tax cuts are tilted toward the wealthiest taxpayers, with very little benefit going to Wisconsin's working families. This year, 32.7 percent of the Bush tax cuts that go to Wisconsinites will benefit the wealthiest 1 percent—those earning an average of \$754,000 a year. These Wisconsinites will receive an average tax cut of \$35,871. In contrast, the 2006 average tax cut for the middle 20 percent of Wisconsinites—those who earn an average of \$39,000—will be \$615. Meanwhile, 2.2 million Wisconsin taxpayers—87 percent of all Wisconsinites—will receive less than \$100 in 2006 tax cuts.³³
- ➡ President Bush's tax cuts actually are hurting working families—all Wisconsinites are shouldering the burden of the debt associated with these tax cuts for the wealthy. While Wisconsin taxpayers will have received \$18.3 billion from the Bush tax cuts between 2001 and 2006, these cuts will have cost Wisconsin \$70.8 billion in additional federal debt. The net additional debt of \$52.5 billion translates into a debt burden of \$38,559 for a Wisconsin family of four.³⁴

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EDUCATION

Access to a quality education is more critical than ever to ensure Wisconsinites get the skills and training they need to be productive and successful in the workforce. But President Bush and his allies in Congress have moved our schools—and Americans' access to higher education—in the wrong direction.

Education Cuts Harm Students of All Ages

- ➡ Despite promises to “leave no child behind,” the federal budgets proposed by President Bush and passed by the congressional majority have repeatedly underfunded the No Child Left Behind Act since it was enacted in 2001. Because of the failure to provide promised funding for education reforms, 38,247 children in Wisconsin have gone without help in reading and math and 21,958 have gone without after-school programs.³⁵

College is Becoming Less Affordable for Working Families

For most of Wisconsin's working families, college is less affordable now than it was a decade ago. The rising cost of college has outpaced the growth in family income. And although there has been an increase in financial aid, it has not kept pace with the cost of attendance.

- ➡ Nationally, the cost of a public higher education has increased by 46 percent since 2001 while the maximum Pell Grant award has stayed constant at \$4,050 for four years in a row. Compared with the purchasing power of the Pell Grant maximum award in 1978–1980, the Pell Grant today has lost more than half its purchasing power.³⁶
- ➡ In Wisconsin, 137,764 student borrowers would be affected by the cuts in student loans in the 2006 Republican budget reconciliation package.³⁷ These education cuts are the largest in the program's history. The higher fees imposed on students and parents will make it even harder for Wisconsin working families to afford a college education.³⁸

Cuts in student loans in the 2006 federal budget would hurt 137,764 Wisconsin students.

CONCLUSION

The statistics show what Wisconsin's working families already knew:

While CEO pay skyrockets and many companies enjoy record profits, working people in Wisconsin and across the nation are being squeezed. The growing gap between the prosperity of working families and the wealthy is alarming. For millions of hard-working Americans, it threatens to shatter the notion that they can achieve the American Dream. If this trend continues, today's workers could be the first generation to hand their children a lower standard of living than the one handed to them by their parents—a devastating direction for our nation.

The economic deep disparities and displacement documented in this report add force to the question working people are asking: "Who's on our side?" It's an urgent question that demands attention and an answer in the form of concrete policy solutions from our elected leaders.

ENDNOTES

- ¹ For an AFL-CIO midterm report card for the Wisconsin congressional delegation, reviewing the record of each senator and representative to see how their agenda and votes in the 109th Congress have affected working families, see http://www.aflcio.org/issues/legislativealert/reportcards_wi.cfm.
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- ³ Christian Weller, 10/05.
- ⁴ Christian Weller, 10/05.
- ⁵ Democratic Policy Committee, 1/10/06.
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- ⁷ State of the Union address, 1/31/06.
- ⁸ Jared Bernstein, "Economy Up, Wages Down," Economic Policy Institute, 1/24/06.
- ⁹ Jared Bernstein and Sylvia Allegretto, "Wages down for second full year in 2005," Economic Policy Institute, 1/18/06.
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- ¹¹ Bureau of Labor Statistics.
- ¹² Calculation by the AFL-CIO using poverty threshold data from the U.S. Census Bureau.
- ¹³ S. 1062; H.R. 2429.
- ¹⁴ Heather Boushey and John Schmitt, *Impact of Proposed Minimum-Wage Increase on Low-Income Families*, Center for Economic and Policy Research, 12/05.
- ¹⁵ Office of Gov. Jim Doyle, "Governor Doyle Announces Increase in Statewide Minimum Wage," 6/1/05.
- ¹⁶ Heather Boushey and John Schmitt, 12/05.
- ¹⁷ Heather Boushey and John Schmitt, 12/05.
- ¹⁸ Robert E. Scott and David Ratner, *NAFTA's Cautionary Tale: Recent history suggests CAFTA could lead to further U.S. job displacement*, Economic Policy Institute, 7/20/05.
- ¹⁹ Robert E. Scott, *U.S.-China Trade, 1989-2003: Impact on jobs and industries, nationally and state-by-state*, Economic Policy Institute, 1/05.
- ²⁰ Social Security Administration, *Annual Statistical Supplement, 2005*, p. 5.83, t. 5.J2, 12/05.
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- ²² Economic Policy Institute, 12/05.
- ²³ U.S. Census Bureau, Historical Health Insurance Tables, Table HI-6. Health Insurance Coverage Status and Type of Coverage by State—People Under 65: 1987 to 2004.
- ²⁴ Paul Fronstin, "Uninsured Unchanged in 2004, But Employment-Based Health Coverage Declined," *EBRI Notes*, Employee Benefit Research Institute, 10/05.
- ²⁵ John Gabel, Gary Claxton, Isadora Gil, Jeremy Pickreign, Heidi Whitmore, Benjamin Finder, Samantha Hawkins and Diane Rowland, "Health Benefits in 2005: Premium Increases Slow Down, Coverage Continues to Erode," *Health Affairs*, 9-10/05.
- ²⁶ U.S. Census Bureau, Historical Health Insurance Tables, Table HI-4. Health Insurance Coverage Status and Type of Coverage by State, All People: 1987 to 2003; U.S. Census Bureau, Current Population Survey, 2005 Annual Social and Economic Supplement, Table HI05. Health Insurance Coverage Status and Type of Coverage by State and Age for All People: 2004.
- ²⁷ U.S. Census Bureau, Historical Health Insurance Tables, Table HI-5. Health Insurance Coverage Status and Type of Coverage by State—Children Under 18: 1987 to 2003; U.S. Census Bureau, Current Population Survey, 2005 Annual Social and Economic Supplement, Table HI05. Health Insurance Coverage Status and Type of Coverage by State and Age for All People: 2004.
- ²⁸ Kaiser Family Foundation, www.statehealthfacts.org.
- ²⁹ Robert Wood Johnson Foundation, *Characteristics of the Uninsured: A View from the States*, prepared by the State Health Access Data Assistance Center at the University of Minnesota, 5/05.
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- ³¹ Bureau of Labor Statistics; Kaiser Family Foundation, www.statehealthfacts.org.
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- ³⁶ Emergency Campaign for America's Priorities, 1/23/06; *Affordability in Post-Secondary Education*, Center for American Progress, 1/05.
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